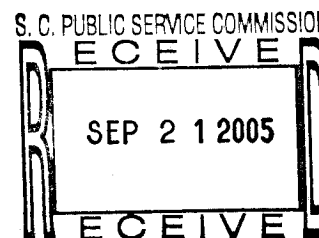


175899



September 20, 2005

Charles L. A. Terreni, Esquire
Chief Clerk/Administrator
The Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211



Mr. John Flitter
Office of Regulatory Staff
101 Executive Drive
Columbia, SC 29210

RE: SCPSC Docket No. 2005-245-E

Dear Messrs. Terreni and Flitter:

Enclosed are copies of a further revised appraisal for filing in the above-referenced docket. The appraisal filed with Progress Energy Carolinas, Inc.'s application dated September 16, 2005 contained typographical errors that were discovered after the filing had been made.

I apologize in advance for the inconvenience.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Len S. Anthony'.

Len S. Anthony
Deputy General Counsel – Regulatory Affairs

LSA:mhm

227616

COMPLETE APPRAISAL OF
REAL PROPERTY

Lake Tillery Vacant Land

183.65-Acres on the West Side of Lake
Tillery, East of Shore Farm Road
Stanly County, North Carolina 28128

IN A SELF-CONTAINED
APPRAISAL REPORT

As of 9/12/04

Prepared For:

Progress Energy
210 S. Wilmington Street
Raleigh, NC 27601

Prepared By:
Cushman & Wakefield of Washington, D.C., Inc.
Valuation Services, Advisory Group
6857 Fairview Road
Charlotte, North Carolina 28210
C&W File ID: 04-26001-9363-1

VALUATION SERVICES

ADVISORY GROUP





Cushman & Wakefield of Washington,
D.C., Inc.
6857 Fairview Road, Suite 201
Charlotte, NC 28210
704-405-3419 Tel
704-365-4688 Fax

September 19, 2005

Mr. John Gallant
Progress Energy
210 S. Wilmington, Street
Raleigh, NC 27601

Re: Complete Appraisal of Real Property
In a Self-Contained Report

Lake Tillery Vacant Land
182.65-Acres on the West Side of Lake Tillery,
East of Shore Farm Road
Stanly County, North Carolina 28128

C&W File ID: 04-26001-9363-1

Dear Mr. Gallant:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our complete appraisal report on the property referenced above.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. We particularly call your attention to the following extraordinary assumptions and hypothetical conditions:

Extraordinary Assumptions: This appraisal employs no extraordinary assumptions; however, it represents an amendment to a prior report that is dated September 12, 2004. The prior appraisal was based on an estimated land area of 280-acres. The estimated land area was obtained from the Stanly County GIS Department and the client. A survey was not available as of the date of the appraisal; however, an ALTA survey was completed in March 2005. The survey indicates that the subject contains approximately 183.65-acres of land rather than the prior estimate of 280-acres. The value in the amended report is \$100,000 higher than the prior appraisal, as the site contains significantly more lake frontage (27,754 linear feet) than the prior estimate (22,000 linear feet).

Hypothetical Conditions: In addition to estimating the market value of the fee simple interest in the subject property; the client has requested that we estimate the market value of the fee simple interest in the subject property assuming that it is accessible from a public right of way, or through an adjacent parcel.

This report was prepared for Progress Energy, and is intended only for their specified use. It may be distributed to the property owner, its attorneys, accountants and advisors. It may not be distributed to or relied upon by other persons or entities without written permission of Cushman & Wakefield of Washington, D.C, Inc.

This appraisal report has been prepared in accordance with our interpretation of FIRREA and the Uniform Standards of Professional Appraisal Practice (USPAP) including the competency provision.

The subject neighborhood was inspected by and the report was prepared by Jeffrey Smith under the supervision of Travis Walsh, MAI. The subject property is not accessible via any public roads or right-of-ways, does not include any street improvements and is heavily wooded; therefore, we were unable to perform an inspection of the actual site. The information included in this report pertaining to the site was obtained from the client, Progress Energy or officials with Stanly County's Planning and Geographic Information Departments.

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. The subject property is not improved; therefore, the Cost Approach was not employed to develop an opinion of market value. Furthermore, there are no plans or permits for the subject and the costs associated with subdividing the property and installing the required infrastructure are unknown; therefore, the Income Capitalization Approach was not employed to develop an opinion of market value.

Based on our Complete Appraisal as defined by the *Uniform Standards of Professional Appraisal Practice*, we have developed an opinion that the market value of the Fee Simple estate of the referenced property, subject to the assumptions and limiting conditions, certifications, "as-is" on September 12, 2004 is:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS

\$4,400,000

Mr. John Gallant
Progress Energy
September 19, 2005
Page 3

Based on our Complete Appraisal as defined by the *Uniform Standards of Professional Appraisal Practice*, and at the client's request we have also developed an opinion that the market value of the fee simple estate in the subject, as if it was accessible from a public right of way or adjoining parcel, as of September 12, 2004, was:

FOUR MILLION SIX HUNDRED THOUSAND DOLLARS

\$4,600,000

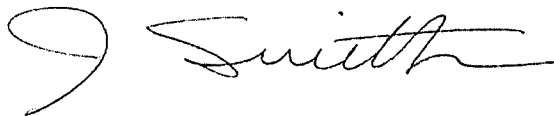
The hypothetical value is based on the "as is" value plus the estimated cost (\$200,000) to acquire access from an adjoining property owner. The cost was deducted in the Sales Comparison approach prior to concluding to an opinion of value.

Based on recent market transactions, as well as discussions with market participants, a sale of the subject property at the above-stated opinion of market value would have required an exposure time of approximately twelve (under 12 months) months. Furthermore, a marketing period of approximately twelve (under 12 months) months is currently warranted for the subject property.

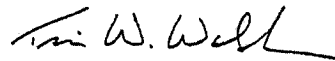
This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF WASHINGTON, D.C., INC.



Jeffrey Smith
Director
North Carolina Certified General Appraiser
License No. A5559
Jeff_Smith@CushWake.com
704-405-3419 Office Direct
704-365-4688 Fax



Travis Walsh, MAI
Senior Director
North Carolina Certified General Appraiser
License No. A5291
Travis_Walsh@CushWake.com
919-510-6797 Office

SUMMARY OF SALIENT FACTS

Common Property Name:	Lake Tillery Vacant Land
Location:	Unincorporated area of Stanly County, North Carolina 28128 The site fronts the west side Lake Tillery, east of Shore Farm Road.
Property Description:	<p>The property consists of approximately 183.65-acres of vacant land that is located on the west side of Lake Tillery, in Stanly County, North Carolina. The four sites have approximately 27,754 linear feet of frontage along Lake Tillery; however, they are land-locked and access must be obtained from property owners with access to Shore Farm Road, Randall's Church Road, Randall's Ferry Road or Snuggs Ridge Lane. No legal description or parcel information was available from Stanly County, as Stanly County assesses all of Progress Energy's land in the county under one property card. The land area and frontage were obtained from a survey prepared by the John R. McAdams Company, Inc. (dated March 4, 2005).</p> <p>The usable acreage is estimated at approximately 182.08-acres, as a 0.57-acre parcel is separate from the main parcels and a 1.0-acre tract represents an island. The usable frontage is estimated at approximately 26,288 linear feet.</p>
Assessor's Parcel Number:	All of Progress Energy's property in Stanly County is assessed under one property card. A parcel number, legal description or assessed value was not available for the subject property.
Interest Appraised:	Fee Simple Estate
Date of Value:	September 12, 2004
Date of Inspection:	September 12, 2004
Ownership:	Carolina Power & Light
<u>Current Property Taxes</u>	
Total Assessment:	Not available
Property Taxes:	Not Available
<u>Highest and Best Use</u>	
If Vacant:	To obtain a means of access from a surrounding property owner and to subdivide the subject to its highest possible density.

SUMMARY OF SALIENT FACTS

Site & Improvements

Zoning:	R-20
Gross Land Area:	183.65 acres
Usable Land Area:	182.08 acres
	7,931,405 square feet

The usable land area excludes a 0.57-acre site that is narrow and is not contiguous with the two main parcels and a 1.0-acre island.

INDICATED AS IS VALUE

Land Value – As Is Scenario

Indicated Value:	\$4,400,000
Per Acre:	\$23,959

Land Value – Assuming the Subject is accessible from a public right-of-way.

Indicated Value:	\$4,600,000
Per Acre:	\$25,048
Exposure Time:	under 12 months
Marketing Time:	under 12 months

Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions

An extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice* (2002 Edition, The Appraisal Foundation, page 3) as “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

This appraisal employs no extraordinary assumptions; however, it represents an amendment to a prior report that is dated September 12, 2004. The prior appraisal was based on an estimated land area of 280-acres. The estimated land area was obtained from the Stanly County GIS Department and the client. A survey was not available as of the date of the appraisal; however, an ALTA survey was completed in March 2005. The survey indicates that the subject contains approximately 183.65-acres of land rather than the prior estimate of 280-acres. The value in the amended report is \$100,000 higher than the prior appraisal, as the site contains significantly more lake frontage (27,754 linear feet) than the prior estimate (22,000 linear feet).

SUMMARY OF SALIENT FACTS

Hypothetical Conditions

A hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice* (2002 Edition, The Appraisal Foundation, page 3) as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.”

In addition to estimating the market value of the fee simple interest the subject property; the client has requested that we estimate the market value of the fee simple interest in the subject property assuming that it is accessible from a public right of way, or through an adjacent parcel.

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Identification of Property

Common Property Name: Lake Tillery Vacant Land

Location: Unincorporated area of Stanly County, North Carolina 28128
The site fronts the west side Lake Tillery, east of Shore Farm Road.

Property Description: The property consists of approximately 183.65-acres of vacant land that is located on the west side of Lake Tillery, in Stanly County, North Carolina. The four sites have approximately 27,754 linear feet of frontage along Lake Tillery; however, they are land-locked and access must be obtained from property owners with access to Shore Farm Road, Randall's Church Road, Randall's Ferry Road or Snuggs Ridge Lane. No legal description or parcel information was available from Stanly County, as Stanly County assesses all of Progress Energy's land in the county under one property card. The land area and frontage were obtained from a survey prepared by the John R. McAdams Company, Inc. (dated March 4, 2005).

The usable acreage is estimated at approximately 182.08-acres, as a 0.57-acre parcel is separate from the main parcels and a 1.0-acre tract represents an island. The usable frontage is estimated at approximately 26,288 linear feet.

Assessor's Parcel Number: Not Available

Property Ownership and Recent History

Current Ownership: Carolina Power & Light

Sale History: The property has not transferred within the past three years to the best of our knowledge.

Current Disposition: The property is presently listed for sale; however, an offering price has not been established, as of September 12, 2004. According to the listing broker, the property is being seriously considered by several prospects; however, no information regarding offers submitted for the subject were disclosed.

Intended Use and Users of the Appraisal

This appraisal is intended to provide an opinion of the market value of the Fee Simple interest in the property for the exclusive use of Progress Energy in evaluating a possible disposition of the subject property. In addition, at the request of the client we have estimated the market value of the subject property, as if access had been obtained from one of the surrounding property owners. The report may be distributed to the property owner, its attorneys, accountants and advisors. All other uses and users are unintended.

Dates of Inspection and Valuation

The value conclusion reported herein is as of September 12, 2004. The property was inspected on September 12, 2004 by Jeffrey Smith. Travis Walsh, MAI has reviewed the report but did not inspect the property.

Property Rights Appraised

Fee Simple Interest

Scope of the Appraisal

This is a complete appraisal presented in a self-contained report, intended to comply with the reporting requirements set forth under the *Uniform Standards of Professional Appraisal Practice* (USPAP) for a Self-Contained Appraisal Report. In addition, the report was also prepared to conform to the requirements of the Code of Professional Ethics of the Appraisal Institute and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

In preparation of this appraisal, we investigated a wide array of vacant land sales in the subject's submarket, and considered the input of buyers, sellers, brokers, property developers and public officials. Additionally, we investigated the general regional economy as well as the specifics of the local area of the subject.

The scope of this appraisal required collecting primary and secondary data relative to the subject property. The depth of the analysis is intended to be appropriate in relation to the significance of the appraisal issues as presented herein. The data have been analyzed and confirmed with sources believed to be reliable, whenever possible, leading to the value conclusions set forth in this report. In the context of completing this report, we have made a physical inspection of the subject neighborhood. We did not inspect the subject site, as it is land-locked and is not accessible via a public right of way. The valuation process involved utilizing market-derived and supported techniques and procedures considered appropriate to the assignment.

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. The subject property is not improved; therefore, the Cost Approach was not employed to develop an opinion of market value. Furthermore, presently there are no plans or permits for the subject and the costs associated with subdividing the property and installing the required infrastructure are unknown; therefore, the Income Capitalization Approach was not employed to develop an opinion of market value.

Definitions of Value, Interest Appraised and Other Terms

The following definitions of pertinent terms are taken from the *Dictionary of Real Estate Appraisal*, Third Edition (1993), published by the Appraisal Institute, as well as other sources.

Market Value

Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of America follows, taken from the

glossary of the *Uniform Standards of Professional Appraisal Practice* of The Appraisal Foundation:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Exposure Time and Marketing Time

Exposure Time

Under Paragraph 3 of the Definition of Market Value, the value opinion presumes that "A reasonable time is allowed for exposure in the open market". Exposure time is defined as the length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

The reasonable exposure period is a function of price, time and use. It is not an isolated opinion of time alone. Exposure time is different for various types of real estate and under various market conditions. As noted above, exposure time is always presumed to precede the effective date of appraisal. It is the length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It is a retrospective opinion based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient and reasonable time but adequate, sufficient and a reasonable marketing effort. Exposure time and conclusion of value are therefore interrelated.

Based on discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been under 12 months. This assumes an active and professional marketing plan would have been employed by the current owner.

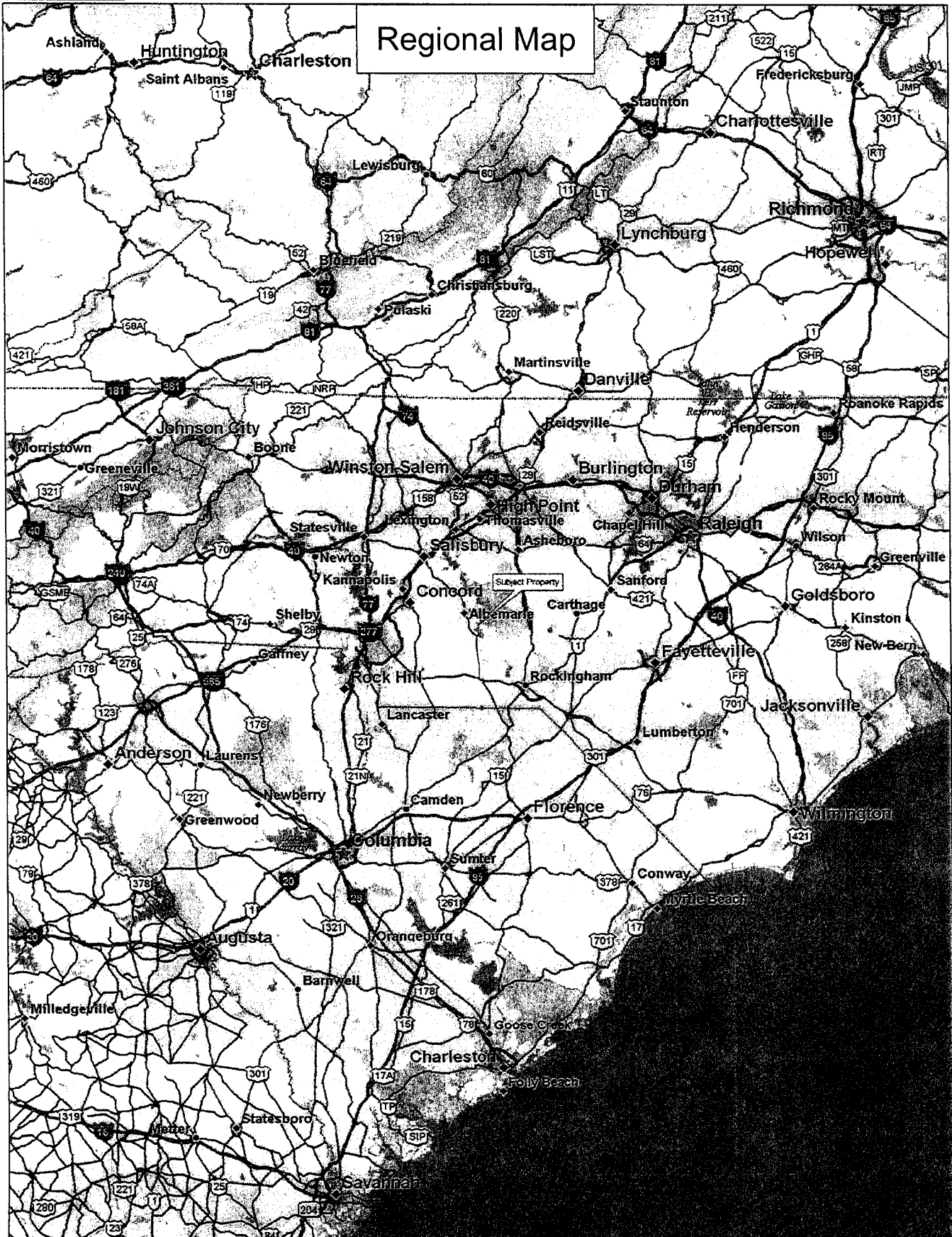
Marketing Time

Marketing time is an opinion of the time that might be required to sell a real property interest at the appraised value. Marketing time is presumed to start on the effective date of the appraisal. (Marketing time is subsequent to the effective date of the appraisal and exposure time is presumed to precede the effective date of the appraisal). The opinion of marketing time uses some of the same data analyzed in the process of estimating reasonable exposure time and it is not intended to be a prediction of a date of sale.

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within a period of under 12 months.

Legal Description

Although requested from the client and Stanly County, a legal description was not available for the subject property.



INSERT A REGIONAL FROM ANALYTICS OR PRECIS (SEE BELOW) OR YOUR OWN**Introduction**

The short- and long-term value of real estate is influenced by a variety of factors and forces that interact within a given region. Regional analysis serves to identify those forces that affect property value, and the role they play within the region. The four primary forces that influence real property value include environmental characteristics, governmental forces, social factors, and economic trends. These forces determine the supply and demand for real property, which, in turn, affect market value.

The subject property is located in an unincorporated area of Stanly County in northeast portion of the Charlotte MSA.

Economic & Demographic Profile

The following profile of the EMPTV was provided by Economy.com, a leading provider of economic, financial, and industry information.

Economy.com's core assets of proprietary editorial and research content as well as economic and financial databases are a source of information on national and regional economies, industries, financial markets, and demographics. The company is staffed with economists, data specialists, programmers, and online producers who create a proprietary database.

Economy.com's approach to the analysis of the U.S. economy consists of building a large-scale, simultaneous-equation econometric models, which they simulate and adjust with local market information, creating a model of the U.S. macro economy that is both top-down and bottom-up. As a result, those variables that are national in nature are modeled nationally while those that are regional in nature are modeled regionally. Thus, interest rates, prices, and business investment are modeled as national variables; key sectors such as labor markets (employment, labor force), demographics (population, households, and migration), and construction activity (housing starts and sales) are modeled regionally and then aggregated to national totals. This approach allows local information to influence the macroeconomic outlook. Therefore, changes in fiscal policy at the national level (changes in tax rates, for example) are translated into their corresponding effects on state economies. At the same time, the growth patterns of large states, such as California, New York, and Texas, play a major role in shaping the national outlook.

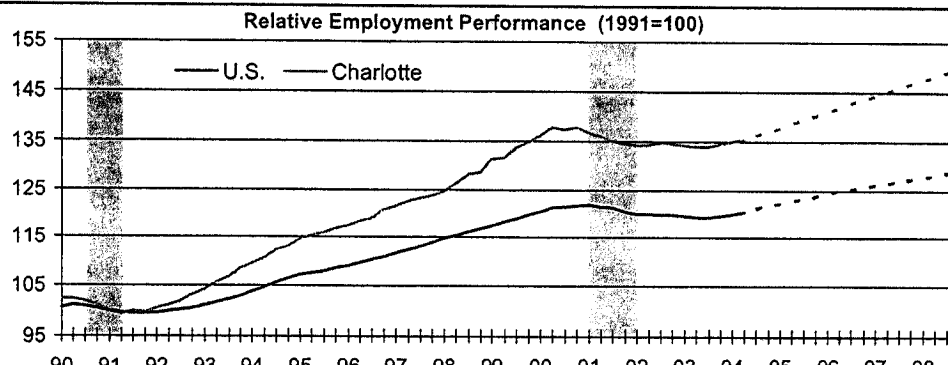
In addition on a regional basis, the modeling system is explicitly linked to other states through migration flows and unemployment rates. Economy.com's model structure also takes into account migration between states.

CHARLOTTE

102
2nd quintile

74
2nd quintile

TIME TO BUILD	5.5
COST OF DOING BUSINESS	90%
COST OF LIVING	99%



1997	1998	1999	2000	2001	2002	2003	Indicators	2004	2005	2006	2007	2008
53.4	58.2	63.0	65.3	64.2	65.2	67.5	Gross Metro Product, C\$B	69.9	72.5	75.3	78.1	80.9
8.3	9.0	8.2	3.7	-1.7	1.6	3.5	% Change	3.5	3.7	3.8	3.8	3.6
753.7	779.0	815.8	842.6	831.8	825.7	823.3	Total Employment (000)	833.8	852.9	873.5	892.7	911.6
3.2	3.4	4.7	3.3	-1.3	-0.7	-0.3	% Change	1.3	2.3	2.4	2.2	2.1
3.0	2.7	2.5	3.3	5.1	6.4	6.7	Unemployment Rate	6.1	5.9	5.7	5.5	5.2
7.6	10.0	7.3	8.2	4.0	3.5	2.6	Personal Income Growth	6.3	5.0	5.0	5.3	5.3
1,391.8	1,430.5	1,471.6	1,509.1	1,546.5	1,580.3	1,613.5	Population (000)	1,639.1	1,665.7	1,692.9	1,719.6	1,746.1
13,080	15,759	17,944	16,380	16,831	17,311	17,037	Single-Family Permits	20,684	19,120	17,343	17,109	17,520
5,134	4,308	6,531	7,548	5,588	3,371	3,052	Multifamily Permits	6,230	6,394	6,452	7,218	7,567
123.7	133.8	136.9	140.5	144.7	149.0	155.4	Existing Home Price (\$Ths)	164.2	169.8	174.3	180.5	185.9
6,692	11,383	10,015	8,747	19,087	23,267	29,875	Mortgage Originations (\$Mil)	16,321	9,812	10,418	11,117	11,564
30.2	29.0	31.0	26.3	24.9	21.7	21.4	Net Migration (000)	14.1	15.0	15.7	15.1	14.8
4,194	4,052	3,856	3,825	4,738	5,345	6,136	Personal Bankruptcies	5,637	4,798	4,621	4,740	4,725

STRENGTHS & WEAKNESSES

STRENGTHS

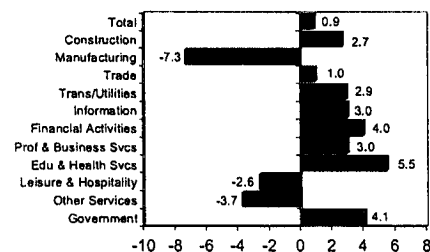
- Major financial center.
- Growing headquarters center.
- Above average industrial diversity.
- Well-educated workforce.

WEAKNESSES

- Large, structurally declining textile industry.
- Exposure to struggling air transportation industry.

CURRENT EMPLOYMENT TRENDS

June 2004 Employment Growth % Change Year Ago, 3 mo MA



FORECAST RISKS

UPSIDE

- Government contracts spur growth in defense-related industries.
- Financial consolidations continue to increase area banks' market share.

DOWNSIDE

- US Airways continues to lose money, goes out of business.
- Textile quota elimination leads to faster than expected loss of textile manufacturing jobs.

ANALYSIS

Recent Performance. Charlotte has been registering employment gains on a year-ago basis since last December. Recent data indicate the expansion is not quite as broad based as in the state as a whole, however. Although payrolls are climbing in tourism and some services, those industries are still well down from last year. Substantial gains are being made in the education and health and financial services, and manufacturing appears to be leveling off temporarily. The unemployment rate has risen despite increased employment due to labor force expansion as formerly discouraged workers are again looking for jobs.

There are still conflicting indicators of local economic health. Retail sales are exhibiting robust expansion, commensurate with economic growth, but household balance sheets continue to be under pressure as personal bankruptcy filings are higher than a year ago, but down from peaks of the fourth quarter of 2003.

Tech hiring. CHR is beginning to see rising demand for tech workers. TIAA-CREF is filling 160 information technology positions at its regional headquarters, with future expansion planned. By the end of 2005, the company expects to have half of its IT staff and its data center in CHR. Cost advantages over New York are cited as reasons for location of jobs in CHR. According to TIAA-CREF, most of the expansion has been local hires, indicating an adequate pool of qualified workers. Wachovia and Bank of America are hiring tech workers and Food Lion's headquarters in Salisbury is adding tech jobs.

The trend is not limited to large corporations. Smaller, locally-owned tech firms are also stepping up hiring as business conditions improve. However, much of the hiring is from large companies updating their computer systems after several years of little investment activity.

Financial consolidation. Consolidation in the banking industry will continue to benefit CHR. Because of the presence of some of the largest financial players, continuing consolidation will shift headquarters and management functions

and jobs to CHR as occurred with the BofA/FleetBoston merger. Among the latest episodes in this never-ending story is CHR-based Wachovia Corp. acquisition of SouthTrust Corp. The deal will make Wachovia the leading bank in the Southeast and will give it a foothold in Alabama, Mississippi, Tennessee, and Texas, while increasing its presence in five other states.

Bank of America is expanding its credit card holdings with the acquisition of Kentucky-based National Processing, Inc. This move will make BofA the second largest processor of credit card transactions, behind J.P. Morgan Chase and is expected to result in greater economies of scale and increase BofA's competitiveness.

Defense Technologies. A budding defense-related cluster is emerging in CHR with the relocation of Defense Technologies, Inc. (DTI) headquarters from Virginia to Gaston County. DTI will expand area operations to 200 employees by the end of 2004. The company produces circuit boards for radar and communications equipment. An additional 200 jobs are tied to federal funding already approved by the House of Representatives and could be added in 2005. The establishment of DTI in the area has already induced Eagan McAlister Technologies to open a shop at the DTI plant as it collaborates on circuit board projects. DTI's growth will aid CHR's effort to diversify its economy.

The Charlotte economy will expand as the area solidifies its position as a major financial services center, supported by aggressive moves by major banks. Growth will also be supported by increases in high-tech industries. CHR's economy is expected to surpass its pre-recession employment peak early next year. Relatively strong population trends, the continued transition toward a service-based economy, an educated workforce, and expanding corporate headquarters will generate above average growth over the forecast horizon in CHR.

Michael D. Helmar
July 2004

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Wachovia Corporation	18,000
Carolinas HealthCare System	15,679
Bank of America	12,000
Duke Power Company	10,000
Delhaize America Inc./Food Lion LLC	8,658
Wal-Mart Stores, Inc.	8,140
Ruddick Corporation	6,894
US Airways Group, Inc.	6,154
Springs Industries, Inc.	6,000
Winn-Dixie, Inc.	6,000
Presbyterian Healthcare Services	5,772
Freightliner LLC	4,100
Fieldcrest Cannon, Inc.	4,009
NorthEast Medical Center	3,500
Bi-Lo LLC	3,210
Coming Cable Systems	3,000
BellSouth Corporation	2,900
Philip Morris U.S.A.	2,750
CaroMont Health	2,572
Belk, Inc.	2,500

Source: The Business Journal, April 2003

Public

Federal	8,299
State	12,021
Local	84,407

2003

INDUSTRIAL DIVERSITY

Most Diverse (U.S.)

1.00

0.80

0.60

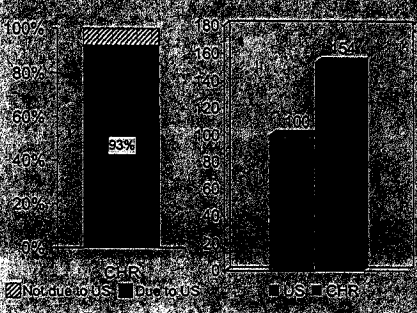
0.40

0.20

0.00

EMPLOYMENT VOLATILITY

Due to U.S. Fluctuations



COMPARATIVE EMPLOYMENT AND INCOME

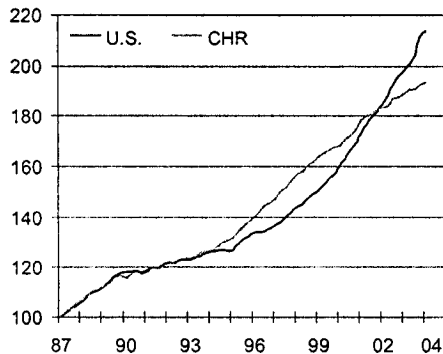
% of Total Employment

Average Annual Earnings

Sector	CHR	NC	US	CHR	NC	US
Construction	6.1%	5.6%	5.2%	\$43,271	\$33,938	\$42,625
Manufacturing	12.9%	15.9%	11.2%	\$55,726	\$48,235	\$56,809
Durable	48.5%	49.5%	61.8%	nd	\$50,748	\$58,993
Nondurable	51.5%	50.5%	38.2%	nd	\$45,755	\$53,244
Transport/Utilities	4.6%	3.3%	3.7%	\$56,506	\$44,266	\$50,127
Wholesale Trade	5.8%	4.3%	4.3%	\$57,048	\$50,943	\$57,061
Retail Trade	10.7%	11.4%	11.5%	\$26,577	\$23,489	\$25,599
Information	3.0%	2.0%	2.5%	\$70,771	\$55,337	\$67,026
Financial Activities	8.4%	5.1%	6.1%	\$55,840	\$38,957	\$47,280
Prof. & Business Services	14.4%	11.1%	12.3%	\$48,287	\$38,437	\$47,113
Education & Health Services	8.3%	11.3%	12.8%	\$38,896	\$35,544	\$37,101
Leisure & Hospitality Services	8.6%	8.8%	9.3%	\$19,360	\$15,422	\$18,105
Other Services	4.4%	4.3%	4.2%	\$22,910	\$20,288	\$22,665
Government	12.7%	17.0%	16.6%	\$43,287	\$42,861	\$47,365

Source: Percent of total employment - Economy.com, BLS, 2003; Average annual earnings - BEA, 2002

HOUSE PRICES



Source: OFHEO, 1987Q1 = 100, NSA

CREDIT QUALITY



LEADING INDUSTRIES

NAICS	Industry	Employees (000)
5511	Mgmt of Companies & Enterprises	24.7
5613	Employment Svcs.	24.4
5221	Depository Credit Intermediation	20.3
2382	Building Equipment Contractors	15.5
5617	Svcs. to Buildings & Dwellings	12.2
5241	Insurance Carriers	11.6
2360	Construction of Buildings	11.1
4841	General Freight Trucking	10.6
5222	Nondepository Credit Intermediation	9.1
4238	Mach., Equip., & Supplies Merch. Whole.	8.9
8134	Civic & Social Organizations	7.6
4441	Building Material & Supplies Dealers	7.4
2381	Foundation, Struct., & Bldg. Ext. Contractors	7.1
5616	Investigation & Security Svcs.	6.8
8121	Personal Care Svcs.	6.7
	High-tech employment	30.6
	As % of total employment	3.7

Source: BLS, Economy.com, 2003

MIGRATION FLOWS

Into Charlotte

Number of Migrants

Median Income

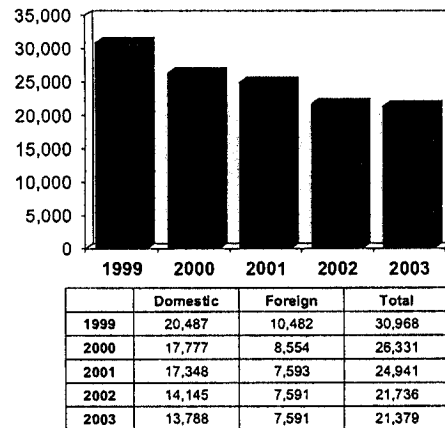
Greensboro	2,998	26,159
Raleigh	1,389	28,216
Charlotte	1,498	26,315
Winston-Salem	989	24,452
Asheville	614	25,535
Total Migration	61,228	26,124

From Charlotte

Greensboro	2,998	26,159
Raleigh	1,389	28,216
Charlotte	1,498	26,315
Winston-Salem	989	24,452
Asheville	614	25,535
Total Migration	49,248	26,571

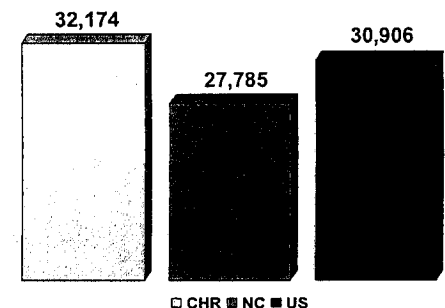
Net Migration 11,980 -747

Net Migration, CHR



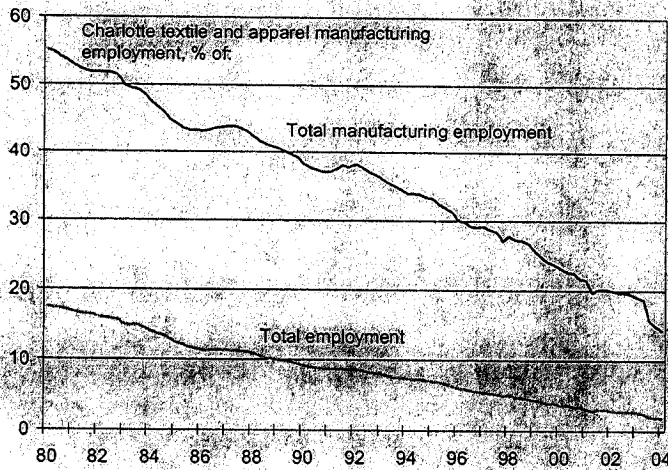
Source: IRS (top), 2003; Census Bureau & Economy.com, 2003

PER CAPITA INCOME



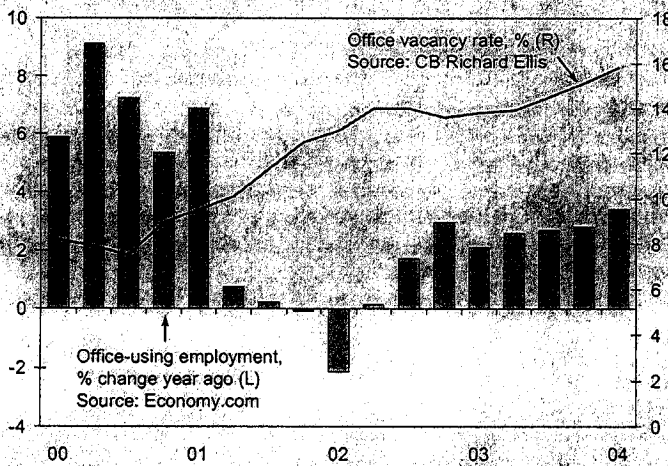
Source: Bureau of Economic Analysis, 2002

Textile Quota Elimination Has Less Sting Today



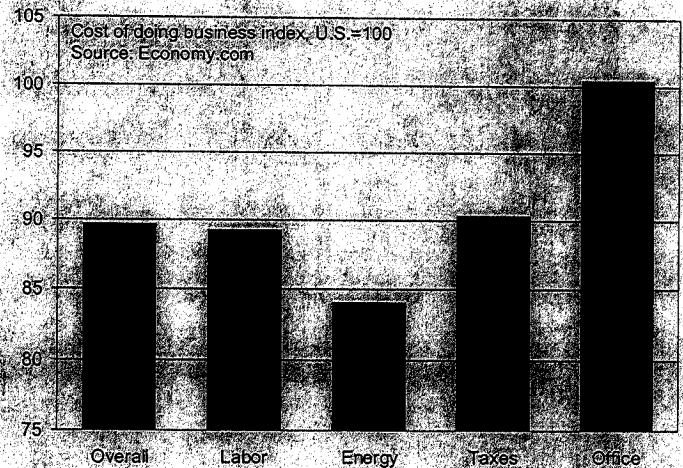
The elimination of textile quotas next January will substantially increase foreign competition for the already beleaguered U.S. industry. CHR has lost a large number of textile jobs over the years and stands to lose more. However, the long-term structural decline in the industry means that the impact of quota elimination will be substantially less than it would have been in the past, as the area has reduced its exposure to textile manufacturing. The number of jobs remaining is similar to the number lost just since 2000. However, stress on household balance sheets will likely remain elevated as the area takes job losses.

Office Space Growth Is Outpacing Absorption



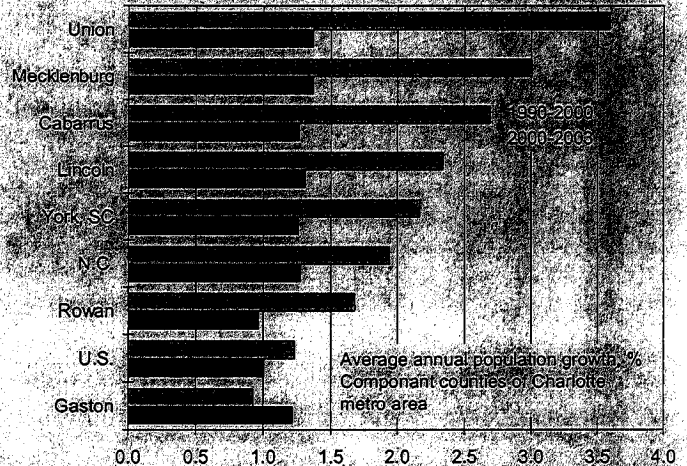
Increases in office-using employment suggest that office space should be tightening in CHR, but this is not the case. Several factors are contributing to the increase in vacancy rates, especially the building of new space, some of it speculative, in outlying portions of the metro area. Also, several million square feet of former Pillowtex manufacturing space has been sold, some of which is being converted to office and flex space. As the financial sector grows, boosting business services employment along the way, office space will be absorbed and vacancy rates decline. Space in downtown is much scarcer than in other parts of CHR.

Charlotte's Low Business Costs Will Keep It Thriving



One of CHR's many attractive features is a low overall cost of doing business. Its educated and productive workforce costs employers 10% less than average. Manufacturing industries enjoy energy costs some 15% below the national average. Part of what has created the business-friendly environment is a low tax burden compared to many competing metropolitan areas. The highest relative cost is for office space, but even that is close to the national average and office-using employment is growing. Office space is likely to remain reasonably priced in the near term as continued building is keeping vacancy rates elevated.

Less In-migration Equalized Population Growth



Between 1990 and 2000, the population of CHR exploded, driven by expansion in financial and business services. Five of the seven counties comprising the area grew faster than the state, boosted by persistent net in-migration as high-paying jobs provided employment opportunities, especially in the more urban counties. After 2000, the period of poor economic performance reduced employment advantages for the area, and population growth resembled the state average across all counties. A significant slowdown in demographic-driven industries such as retail ensued. Rising employment is expected to drive increased in-migration, but patterns are likely to shift, as growth is now taking place in outlying areas.

Critical Observations

The following bullet points summarize some of our general observations relating to the subject's region.

- **Location** - The Charlotte MSA is located in south central North Carolina. The subject property is located approximately 50 miles northeast of the City of Charlotte in a fairly rural area.
- **Economy** - Charlotte's economy is expanding. Employment is relatively diversified, as Charlotte has become the second largest financial center in the United States, is a growing headquarters center and has a diverse industrial base; however, Stanly County's economy is generally static, as employment has declined during the last three years and the county remains dependent on the building products and mobile home industries.
- **Population** - Population growth in the MSA is forecasted to be 1.5 percent per year. Similar to economic activity, Stanly County's population growth is projected to lag the MSA's during the next five years, as growth is projected at approximately 0.55 percent per year.
- **Income** - Income levels are projected to increase at an annual rate of about 5.7 percent per year over the next five years. Per capita income (\$32,174) is above statewide levels (\$27,785) and slightly above the national average (\$30,906), with a relatively low cost of living. Stanly County's per capita income of \$19,056 illustrates the economic disparity between Stanly County and the MSA.
- **Strengths** - Strengths of the region include a relatively low cost of living compared to similar national markets. The MSA also benefits from an efficient transportation network, the presence of two of the nations largest financial institutions and a good quality of life. The presence of State government and education also help to stabilize the workforce.
- **Weaknesses** - Weaknesses within the MSA include the struggling textile and furniture industries, which are in decline. In addition, the region is exposed to the troubles of US Airways, which is a major employer and operates the majority of flights from Charlotte Douglas International Airport.

Conclusion

In light of the social and economic attributes of the greater Charlotte area, we are cautiously optimistic about the short-term outlook. Long-term, the region should see stability and moderate growth, with increasing real estate values.

[illegible]

Location

The property is located in Stanly County, on the west side of Lake Tillery, between State Highway 24/27 and State Highway 731. Generally, the boundaries of the immediate area are State Highway 24/27 to the north, Lake Tillery to the east, State Highway 731 to the south and US Highway 52 to the west. Norwood is the closest municipality to the subject property, it is located approximately 2.5-miles southwest of the subject. In addition, Albemarle is located approximately 7 miles northeast of the subject property. Albemarle is the county seat of Stanly County.

Local Area Characteristics

Stanly County is located in North Carolina's Piedmont region and was founded in 1841. Created out of the western portion of Montgomery County, Stanly County's eastern borders were determined by the Yadkin and Pee Dee Rivers.

Stanly County's seat, Albemarle, was incorporated in 1857. The county ranks 64th in area (399 square miles) in the state. The eastern border of Stanly County abuts Badin Lake and Lake Tillery, both manmade bodies of water created by the damming of the Yadkin River and the Pee Dee River. Lake Tillery is a 5,000-acre lake with 104 miles of shoreline, whose key contribution to the county is a source for hydroelectric power.

Stanly County's western perimeter is ten miles from North Carolina's largest county, Mecklenburg County, and is twenty miles from the largest city in the state, Charlotte. Albemarle, Stanly County's seat, is forty-two miles northeast of Charlotte.

As discussed previously, Stanly County is fairly rural with an abundant supply of development sites. The subject neighborhood is comprised of approximately thirty percent residential uses and 70% vacant/agricultural uses. Although a large percentage of the land is comprised of vacant or agricultural, the waterfront areas that are not owned by Progress Energy are predominantly built-out with single-family homes.

Stanly County is influenced by its proximity to Charlotte and Mecklenburg County. Additional influences included Pfeiffer University and Stanly Community College, which emphasize worker training, and Stanly Memorial Hospital, which employs more than 500 people and offers more than 25 different specialties. Although Stanly County is home to several firms in the textile and furniture industries, it has not been as hard hit by the downturn in these sectors as many of North Carolina's rural communities. Many of its largest employers are in the building products and manufactured housing industries, such as Oakwood Homes, Clayton Homes, Masterpiece Housing, CTX Builders Supply, Fiber Composites and Universal Forest Products. The mobile home industry is recently recovering from a two to three year downturn.

Stanly County's population is slowly increasing. From 1990 to 2003 its population increased by approximately 13.5% to 58,100. Going forward the population is projected to increase to 59,758 by 2008 (2.8%). The population of the subject's primary trade area (1-mile) is approximately 327. This is relatively unchanged from 1990 census when the population was 313. The population is relatively low and is not expected to change significantly in the future, as the majority of the surrounding area is comprised of farmland. In addition a large number of the waterfront residences represent second homes for Charlotte residents.

As of June 2004 Stanly County's unemployment rate was 7.8%. This represents an improvement over the previous three years, which had average unemployment rates of between 8.5% and 8.7%. Although the rate appears to indicate improving labor market conditions, the

majority of the gains are attributed to a decline in the size of the labor force. Actual employment has declined from 24,719 in 2001 to 24,103 in June 2004.

Stanly County's employment is heavily concentrated in the services (30.7%), manufacturing (22.5%) and retail trade (19.8%) sectors. In 2003 the median household income was \$39,518, while the per capita income was \$19,056. Although the median household income is similar to the State's, the per capita is significantly less than North Carolina's (\$27,785). The relatively low wage levels are partially attributed to educational achievement, as only 13% of the workforce has a college/masters degree, while 60% of the workforce has at least a high school education and 27% of the workforce has not completed high school. On a local level, the subject neighborhood's median household income (\$53,472) compares favorably to Stanly County and the States, while the per capita income (\$26,020) is significantly higher than Stanly County's and slightly lower than North Carolina's. Approximately 53.7% of the households in the subject's primary trade area have household incomes in excess of \$50,000, while 27.7% have incomes in excess of \$75,000 and 14.7% have incomes in excess of \$100,000.

Access

Local area accessibility is average, relying on the following transportation arteries:

- | | |
|-----------|--|
| Local: | Presently, the subject property is land-locked and is not accessible via a public right-of-way. In order to develop the subject property, access must be obtained from at least one property owner on Shore Farm Road, Randall's Church Road or Snugg's Ridge Lane (private road). These thoroughfares are accessible via Indian Mound Road, which is accessible via State Highway 24/27 (north) and US Highway 52 (south). |
| Regional: | Stanly County is relatively rural; consequently, interstate access is below average. US Highway 52 and State Highway 73 provide access to Interstate 85 to the northwest (40 miles), while State Highway 24/27 provides access to Interstate 485 and the Charlotte metropolitan area to the west (50 miles). In addition, State Highway 73 provides access to US Highway 220 to the east. US Highway 220 provides access to Greensboro, Interstate 85 and Interstate 40. |

Stanly County is fairly rural, with minimal public transportation systems. The primary means of transportation is via automobile. The local transportation routes provide adequate access to the interstates and North Carolina's larger metropolitan areas.

Nearby and Adjacent Uses

The subject's neighborhood is composed of a mix of residential and agricultural land uses. As discussed previously, the subject is land-locked. The subject has approximately 22,400 feet of frontage along the west side of Lake Tillery. The site is located east of Shore farm Road and Randall's Church Road, which are accessible via Indian Mound Road (Highway 52). The properties located to the west are comprised of residential and agricultural land uses. The most proximate commercial development is located in Norwood and along State Highway 24/27.

The 467-acre Cuddy farm borders the majority of the site to the west, while vacant 64.02-acre, 31.2-acre and 32.1-acre sites border the southern portion of the site. Various members of the

Snuggs family own these parcels. Just south of the subject, along Randall's Ferry Road, Lake Shore Drive and Berry Hill Road, the lake frontage has been divided into 100' to 150' foot lots that have been improved with single-family residences. The homes are comprised of approximately 800 SF to 3,500 SF and the ages range from new to approximately 40 years. There are few developable sites remaining with direct frontage on Lake Tillery, with the majority of new construction representing redevelopment/remodeling of existing homes. Local real estate professionals indicate that land prices average approximately \$1,500 per linear foot of frontage on Lake Tillery, or \$150,000 per lot. In addition, a search on Realtor.com indicated that water-front home prices begin at approximately \$170,000 and increase to over \$600,000. The prices vary depending on the location, amount of frontage, topography of the lot, as well as the age, quality and size of the home.

According to Claritas there are 224 homes, within a 1-mile radius of the subject. The average age of homes within the primary trade area is 21 years, while the median home value is \$163,889. The largest distributions of home values are in the \$200,000 to \$299,999 (21.48%) and \$300,000 to \$399,999 (12.51%) categories, respectively. The median home values of the three-mile (\$96,298) and five-mile (\$93,838) trade areas illustrate the influence of Lake Tillery on property values, as the median home values decline by 41% and 43%, as the distance increases from the lake.

Single-family detached homes comprise the majority of homes (67.34%) in a one-mile radius, while the next largest concentration are mobile homes (19.75%) and boats/RVs (12.72%). There is no multi-family development within a one-mile radius of the subject and less than 0.2% of the homes represent attached units. Furthermore, 85.68% of homes within a one-mile radius are owner-occupied, while 14.32% are rented. Owner occupancy declines slightly in the three-mile and five-mile trade areas to 81.82% and 81.70%, respectively.

In terms of competing projects, Tillery Tradition, is the only large-scale residential subdivision on Lake Tillery that is in progress. Tillery Tradition is located on the east side of Lake Tillery. It features an 18-hole golf course and will include approximately 370 lots upon completion. Approximately 70 of the sites will be lakefront, while the remaining lots will have golf course views. Phase 1 includes approximately 70 lots. To date, approximately 25 lots have been sold, with approximately 14 being lakefront. Current prices for lakefront lots range from \$190,000 to \$350,000. The high-end of the range represents a point lot, while the low-end represent cove lots. The asking prices for the main channel lots range from approximately \$230,000 to \$260,000. The selling broker stated that golf club memberships were included in several of the accepted offers.

Special Hazards or Adverse Influences

No special hazards or adverse influences were observed in the subject neighborhood.

Land Use Changes

Land uses are fairly consistent within the subject neighborhood. Waterfront land that is not owned by Progress Energy is typically improved with a single-family home, while non-waterfront sites are vacant or developed with residential or agricultural uses. Once access is obtained, the subject property represents the most likely site in the immediate area to be developed in the near future. Although several of the larger surrounding parcels could be developed, they do not have significant water frontage and development is unlikely at this time, unless it was in conjunction with the development of the subject. Excluding the potential development of the subject, there is little development activity in Stanly County and land use patterns are projected to remain stable.

Conclusion

Although Stanly County is located within forty miles of the City of Charlotte, it is a rural community with moderate population growth and a relatively static employment market. Overall, values are projected to remain stable in the short-term and increase modestly over the long-term; however, the subject is projected to fair better, as illustrated by the strong demand for waterfront residences and developable lots.

SITE DESCRIPTION

Location:	West side of Lake Tillery, east of Shore Farm Road and Randall's Church Road Unincorporated area of Stanly County, North Carolina 28128 The site fronts the west side Lake Tillery, east of Shore Farm Road.
Shape:	Irregular
Topography:	Rolling
Gross Land Area:	183.65 acres
Usable Land Area:	182.08 acres 7,931,405 square feet The usable land area excludes a 0.57-acre site that is narrow and is not contiguous with the two main parcels and a 1.0-acre island.
Frontage, Access, Visibility:	The site has approximately 22,400 feet of frontage on Lake Tillery; however, it is currently land-locked; therefore visibility is severely limited.
Soil Conditions:	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
Utilities	
Water:	The site is not presently served by municipal water service; however, the client and county planning officials indicated that water lines are located in close proximity to the subject. We were not supplied with a cost estimate to extend the water lines to the subject property.
Sewer:	According to the client and county planning officials, the most proximate municipal sewer lines are located in Norwood, approximately four to five miles from the subject property. The cost to extend the sewer lines to the subject property, as part of a residential subdivision, is not assumed to be financially feasible; therefore, private septic systems will be required. Septic systems are permitted in Stanly County; however, the minimum lot size increases from 15,000 square feet to 20,000 square feet and soil perk tests are required for each platted lot. To date, no soil tests have been performed at the subject property, and it is unknown if the soil will perk and how many residential lots the subject will yield.
Electricity:	None; however, service is available from Duke Power.
Gas:	Natural gas service is not available in the subject neighborhood.
Site Improvements:	The site is currently unimproved.

SITE DESCRIPTION

Land Use Restrictions:	<p>We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.</p> <p>Carolina Power and Light (Progress Energy) presently owns the subject property. In the event that the subject property is sold, Progress Energy will convey the portion of the subject property that is above the 284.67' contour line. The contour line represents the maximum elevation where flooding should occur, as the water from the lake will pass over the dam. This line is often referred to as the high water mark. Carolina Power and Light leases lake frontage on an annual basis. The base charge is \$100 for the first 100 feet and \$5 for each additional 10 feet. A lease may not be obtained until improvements have been constructed on the lot. In addition, there is a one-time application fee of approximately \$500. Furthermore, there is an additional one-time fee for the installation of a dock.</p>
Flood Map:	National Flood Insurance Rate Map Community Panel Number 370361-0175D dated September 21, 2000.
Flood Zone:	X
Wetlands:	We were not given a Wetlands survey. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a competent engineering firm.
Hazardous Substances:	As we did not inspect the site, we did not observe any evidence of toxic or hazardous substances at the subject property. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.
Overall Functionality:	Based on the available information, the subject site appears functional for residential development.

REAL PROPERTY TAXES AND ASSESSMENTS

Taxes are levied against all real property in this locale for the purpose of providing funding for the various municipalities. The amount of ad valorem taxes is determined by the current assessed value for the property in conjunction with the total combined tax rate for the municipalities. The property is subject to the taxing jurisdiction of Stanly County. As discussed previously, the subject property is not individually assessed, as all of Progress Energy's property in Stanly County is assessed as one parcel.

Current Property Taxes

As Progress Energy received one tax bill for its property in Stanly County, we were not able to identify the real estate taxes attributed to the subject site.

The property is zoned R-20 by Stanly County. The district is intended to insure opportunity for residential development, protected from disruptive commercial or agricultural influences and to insure that development not having access to public water supplies or public sewage disposal will occur at sufficiently low densities to provide a healthful environment. Permitted uses within this district include single-family and two-family residential development, accessory buildings, churches, greenhouses and gardens (non-commercial), group homes, public safety facilities and schools. Zoning regulations imposed within this district are as follows:

ZONING REGULATIONS

Minimum Lot Area:	20,000 SF without public water/sewer and 15,000 with public water and sewer
Average Lot Width:	100 feet
Maximum Height:	35 feet
Minimum Yard Setbacks	
Front:	50 feet
Rear:	40 feet
Side:	15 feet; Corner lots require 25 feet

As discussed previously, the subject represents is a vacant parcel that is comprised of approximately 280-acres. Based on surrounding land uses and the subject's extensive water frontage, the most probable use of the subject site is a residential subdivision. Based on our conversations with Stanly County planning officials, a residential subdivision is a permitted use for the subject; however, no subdivision plat or land within the County's subdivision regulation jurisdiction can be filed or recorded until it has been submitted and approved by the Stanly County Planning Director. The approval process and specific requirements are summarized in the following paragraphs.

- A major subdivision is defined as having more than 3 lots, requiring a new public road(s). The procedures for review of a major subdivision generally involve (i) sketch design plan review and approval by the Technical Review Committee, (ii) a preliminary plat review and approval by the Technical Review Committee, and Planning Board and (iii) a final plat review and approval by the Planning Director.
- Prior to obtaining final plat approval, the developer must complete all required improvements or provide surety performance bonds or cash/equivalent security in the amount of 125 percent of the estimated costs, as approved by the County and the North Carolina Department of Transportation.
- The subdivider is required to install standard type curbs and gutter on all streets. Sidewalks are not required unless the site is within ½-mile of a school.
- The Stanly County Health Department must approve all private wells and septic tanks.
- All public roads must be designed and constructed to meet North Carolina Department of Transportation minimum standards. In addition, the developer is required to deposit a surety bond and guarantee by as specified in section 66-43 for continuing maintenance of dedicated public roads. The surety bond equates to 15% of total cost of construction of roads, curbs, gutters, etc. until such improvements have been accepted for maintenance by a governing body or NCDOT.

- Subdivisions or developments estimated to produce greater than 200 trips per day are required to provide a Traffic Impact Analysis.

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

Definition Of Highest And Best Use

According to *The Dictionary of Real Estate Appraisal*, Third Edition (1993), a publication of the Appraisal Institute, the highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Highest And Best Use Criteria

We evaluated the site's highest and best use both as currently improved and as if vacant. In both cases, the property's highest and best use must meet four criteria described above.

Legally Permissible

The first test concerns permitted uses. According to our understanding of the R-20 zoning district and Stanly County's subdivision standards, noted earlier in this report, the site may legally be subdivided and improved with structures that accommodate residential uses. Aside from the site's zoning and regulations, we are not aware of any legal restrictions that limit the potential uses of the subject.

Physically Possible

The second test is what is physically possible. As discussed in the "Property Description," the site's size, soil, topography, etc. do not physically limit its use. The subject site is of adequate shape and size to accommodate almost all residential uses; however, the site is presently land-locked; therefore, development is not possible without obtaining means of access from surrounding land owners. Once access has been obtained, a residential subdivision containing approximately 100 lots with 100 to 150 feet of frontage on Lake Tillery appears to be the most probable use of the site. Based on land values in the subject's neighborhood and the acreage required, the cost to acquire an easement(s) or land in fee is estimated at approximately \$200,000.

Financial Feasibility and Maximal Productivity

The third and fourth tests are, respectively, what is feasible and what will produce the highest net return. After analyzing the physically possible and legally permissible uses of the property, the highest and best use must be considered in light of financial feasibility and maximum productivity. For a potential use to be seriously considered, it must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Based on the sales of comparable properties in Stanly and Montgomery County, as well as individual lot sales and home prices, a single-family subdivision appears to be the maximally productive use of the subject property once access has been obtained from an abutting property owner.

Highest and Best Use of Site As Though Vacant

Considering the subject site's size, configuration and topography, location among other vacant land properties and state of the local vacant land market, it is our opinion that the Highest and Best Use of the subject site as though vacant is to obtain a means of access from a surrounding property owner and to subdivide the subject to its highest possible density.

Methodology

There are three generally accepted approaches available in developing an opinion of value: the Cost, Sales Comparison and Income Capitalization approaches. We have considered and analyzed each in this appraisal to develop an opinion of the market value of the subject property, because this is a complete appraisal. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. Each approach is discussed below, and applicability to the subject property is briefly addressed in the following summary.

Land Value

Developing an opinion of land value is typically accomplished via the Sales Comparison Approach by analyzing sites of comparable utility adjusted for differences, to indicate a value for the subject parcel. Valuation is typically accomplished using a unit of comparison such as price per square foot or acre. Adjustments are applied to the units of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a total value.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; (d) the absence of non-typical conditions affecting the sales price.

Cost Approach

The Cost Approach is based upon the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements, which represent the highest and best use of the land; or when relatively unique or specialized improvements are located on the site, for which there exist few sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added for a total value.

Sales Comparison Approach

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is typically accomplished using a unit of comparison such as price per square foot, effective gross income multiplier or net income multiplier. Adjustments are applied to the units of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive a total value.

The reliability of this approach is dependent upon (a) the availability of comparable sales data; (b) the verification of the sales data; (c) the degree of comparability; (d) the absence of non-typical conditions affecting the sales price.

Income Capitalization Approach

This approach first determines the income-producing capacity of a property by utilizing contract rents on leases in place and by estimating market rent from rental activity at competing properties. Deductions then are made for vacancy and collection loss and operating expenses. The resulting net operating income is capitalized at an overall capitalization rate to derive an

opinion of value. The capitalization rate represents the relationship between net operating income and value.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method, periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

The reliability of the Income Capitalization Approach depends upon whether investors actively purchase the subject property type for income potential, as well as the quality and quantity of available income and expense data from comparable investments.

Summary

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Furthermore, because the subject property is a specialized land use, it is not typically marketed, purchased or sold on the basis of anticipated lease-income. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value.

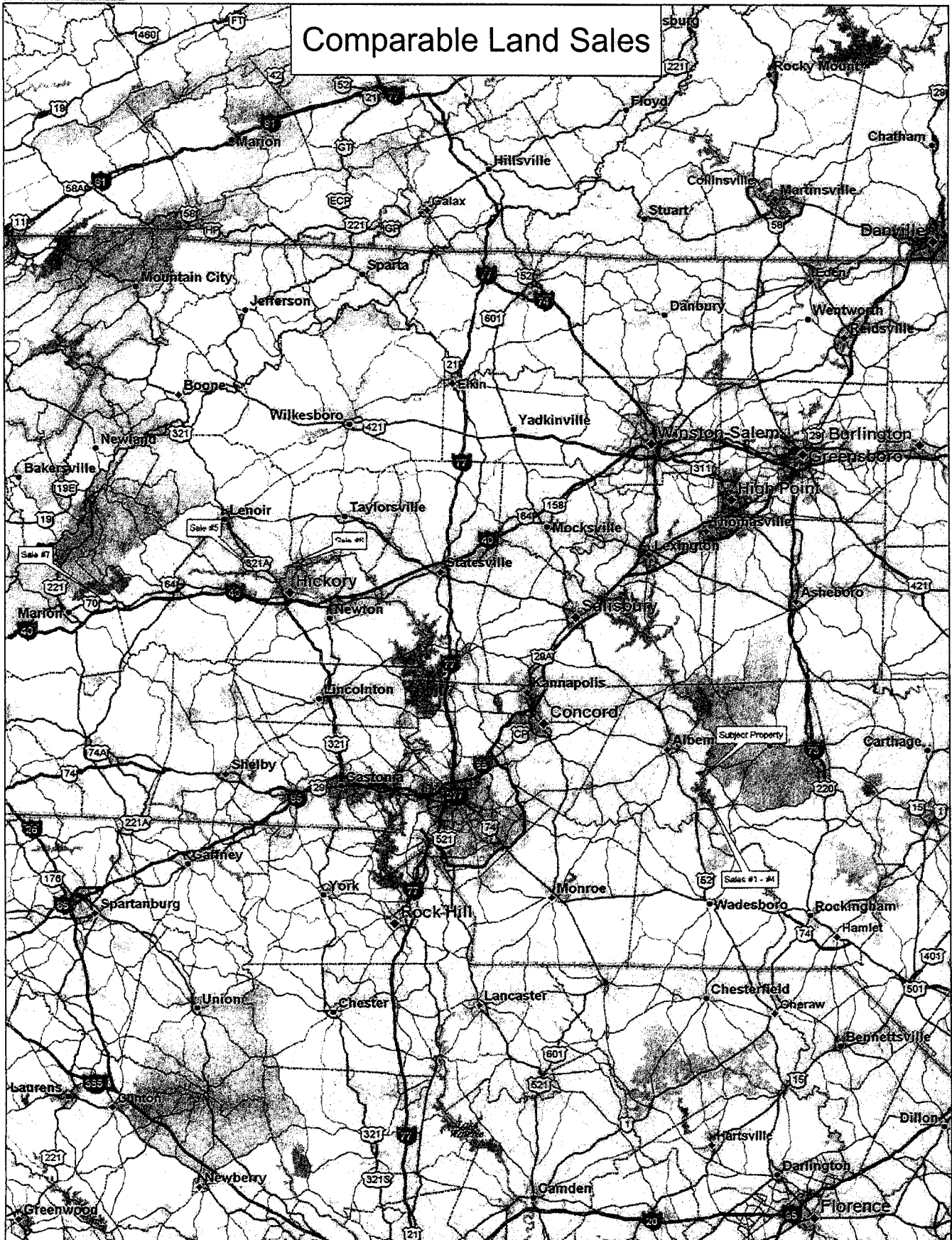
The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We used the Sales Comparison Approach to develop an opinion of land value. In this method, we analyzed prices buyers have recently paid for similar sites in the market, as well as examined current offerings. In making comparisons, we adjusted the sale prices for differences between this site and the comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made. We present on the following pages a summary of pertinent details of sites recently sold that we compared to the subject site.

In the valuation of the subject site's fee simple interest, the Sales Comparison Approach has been used to establish prices being paid for comparably zoned land. The most widely used and market oriented unit of comparison for properties with characteristics similar to those of the subject is the sale price per acre of land area. In addition, we have considered the price per front foot. All transactions utilized in this analysis are analyzed on this basis.

The major elements of comparison utilized to value the subject site include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property.

Comparable Land Sales



SUMMARY OF APARTMENT LAND SALES									
No.	Location	Grantor Grantee	Price Date	Site SqFt Site Acres	Zoning Utility	Utilities Frontage	\$/Front Foot \$/Acre	COMMENTS	
1	East side of Lake Tillery Montgomery County, NC	Carolina Power & Light Tillery 1 LLC & Tillery 2 LLC	\$1,060,000 7/04	2,124,421 SF 48.7700 Ac	R-1 Good	County Water 8,912	\$118.94 \$21,735	This site has 8,912 feet of frontage on Lake Tillery. The site was land-locked and was purchased by an adjacent land owner that is constructing a lakefront golf community (Tillery Tradition).	
2	East side of Lake Tillery Montgomery County, NC	Carolina Power & Light Allen Realty Co.	\$660,000 12/02	2,191,939 50.3200 Ac	R-1 Good	County Water 10,930	\$60.38 \$13,116	This site has 10,930 feet of frontage on Lake Tillery.	
3	East side of Lake Tillery Montgomery County, NC	Carolina Power & Light Tillery Tradition	\$975,000 3/02	3,045,280 69.9100 Ac	R-1 Good	County Water 8,000	\$121.88 \$13,947	This site has approximately 8,000 feet of frontage on Lake Tillery.	
4	East side of Lake Tillery Montgomery County, NC	Listing Listing	\$2,125,000 Listing	3,702,600 85.0000 Ac	R-1 Average	County Water 3,000	\$708.33 \$25,000	This site has approximately 3,000 feet of frontage on Lake Tillery. Due to the configuration of the site, the site will only yield approximately 25 waterfront lots. The rear portion of the site (70+/- acres) has little value. Current offers for the site range from approximately \$6,000 to \$10,000 per acre.	
5	North side of Lake Rhodhiss Caldwell County, NC	Crescent Resources Oscar O. Vasquez	\$1,600,000 7/01	7,161,525 164.4060 Ac	Lake Rhodhiss Protection Ordinance Good	County Water 9,217	\$173.59 \$9,732	The site has approximately 9,217 feet of frontage on Lake Rhodhiss.	
6	North side of Lake Hickory Grace Chapel, Caldwell County, NC	KP Properties, Inc. AFT Enterprises, Inc.	\$3,500,000 8/01	6,403,320 147.0000 Ac	Residential Good	County Water 9,823	\$356.31 \$23,810	The site has approximately 9,823 feet of frontage on Lake Hickory.	
7	South side of Lake James Road Nebo Township, McDowell County, NC	Crescent Resources McDowell Wildlife Club, Inc.	\$1,400,000 8/01	3,119,332 71.6100 Ac	Lake James Protection Ordinance Good	County Water 10,750	\$130.23 \$19,550	The site has approximately 10,750 feet of frontage on Lake James.	

	Price Date	Site SqFt Site Acres	Zoning Utility	Utilities Max Units	\$/Front Foot \$/Acre
Survey Low	\$660,000	2,124,421 SF	N/A	N/A	\$60.38
Survey High	\$3,500,000	7,161,525 SF	N/A	N/A	\$708.33
Average	\$1,617,143	3,984,060 SF	N/A	N/A	\$238.52
Survey Low	7/01	48,7700 Ac	N/A	3,000	\$9,732
Survey High	7/04	164,4060 Ac	N/A	10,930	\$25,000
Average	5/02	91,0023 Ac	N/A	8,862	\$18,127
Subject Property		7,931,405	R-20	County Water	N/A
		182.08	Good		N/A

*Utility includes shape, access, frontage and visibility.

LAND VALUATION

LAND SALE ADJUSTMENT GRID												
			Economic Adjustments (Cumulative)				Property Characteristic Adjustments (Additive)					
\$/Acre Sale Date	Property Rights Conveyed	Financing & Conditions of Sale	Exp. After Purchase	Market* Conditions	Subtotal	Location	Size	Public Utilities	Utility**	Access	Adjusted \$/Acre	Overall
1 \$21,735 7/04	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Inferior 1.0%	\$21,952 1.0%	Inferior 25.0%	Similar 0.0%	Similar 0.0%	Superior -10.0%	Inferior 25.0%	\$30,733 40.0%	Inferior
2 \$13,116 12/02	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Inferior 9.1%	\$14,310 9.1%	Inferior 25.0%	Similar 0.0%	Similar 0.0%	Superior -20.0%	Similar 0.0%	\$15,025 5.0%	Inferior
3 \$13,947 3/02	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Similar 13.2%	\$15,787 13.2%	Inferior 25.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	Inferior 25.0%	\$25,260 60.0%	Inferior
4 \$25,000 Listing	Fee Simple/Mkt. 0.0%	Arms-Length -30.0%	None 0.0%	Similar 0.0%	\$17,500 -30.0%	Inferior 25.0%	Similar 0.0%	Similar 0.0%	Inferior 40.0%	Similar 0.0%	\$28,875 65.0%	Inferior
5 \$9,732 7/01	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Inferior 16.9%	\$11,377 16.9%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 40.0%	Similar 0.0%	\$15,927 40.0%	Inferior
6 \$23,810 8/01	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Inferior 16.4%	\$27,714 16.4%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 40.0%	Similar 0.0%	\$38,800 40.0%	Inferior
7 \$19,550 8/01	Fee Simple/Mkt. 0.0%	Arms-Length 0.0%	None 0.0%	Inferior 16.4%	\$22,757 16.4%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$22,757 0.0%	Similar

***Market Conditions Adjustment**
Compound annual change in market conditions: 5.00%
Date of Value (for adjustment calculations): 9/12/2004

****Utility includes shape, access, frontage and visibility.**

SUMMARY		Unadjusted		Adjusted	
Price Range		\$/Acre	\$/SF Front Foot	\$/Acre	\$/Front Foot
Low		\$9,732	\$60	\$15,025	\$69
High		\$25,000	\$708	\$38,800	\$818
Average		\$18,127	\$239	\$25,340	\$328
Net Adjustment Range (Additive Property Characteristics)					
Low		0.0%			
High		65.0%			
Average		25.0%			

Discussion of Adjustments

Property Rights Conveyed

All of the sales utilized in this analysis involved the transfer of the fee simple interest. Therefore, no adjustments were required.

Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. Excluding sale #4, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market; therefore, no adjustments were required. Sale #4 represents a listing of an 85-acre site on Lake Tillery. In this case, a 50% downward adjustment was applied to the asking price based on the most recent offers received (\$6,000 to \$10,000 per acre)

Financial Terms

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

Market Conditions

The market has generally improved since the majority of the comparables sold. We have applied a 5.00 percent adjustment to compensate for changing market conditions.

Location/Access

An adjustment for location is required when the locational characteristics of a comparable property are different from those of the subject property. The subject property is considered to have a good location; however, it is currently land-locked and has limited visibility. Sales 1 through 4 are located on the east side of Lake Tillery, while the subject fronts the west side of the lake. The east side is considered less desirable, as it is not as proximate to Charlotte; therefore, minor upward adjustments were applied. No adjustments were applied for comparables 5, 6 or 7.

Subsequent to the adjustment process, we made a deduction for the estimated cost to acquire the land necessary to obtain access to the site or an easement from one of the abutting property owners with access to Shore Farm Road or Randall's Church Road. Based on the maximum distance from Shore Farm Road (2,700 +/-) and an 80' right-of-way, approximately 5-acres would be required. Raw residential and agricultural land, without water-access in the subject neighborhood typically sells for \$5,000 to \$15,000 per acre. Assuming two access points may be needed, a cost of \$15,000 per acre, as well as a premium of 25% to the seller, the cost to acquire access is estimated at \$200,000, rounded ($2 \times 5 \times \$15,000 \times 125\% = \$187,500$).

Size

The size adjustment generally reflects the inverse relationship between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. No adjustments were applied for size, as we were not able to extract appropriate adjustments through a matched pairs analysis.

Public Utilities

All of the sales, like the subject, were in close proximity to public water lines; therefore, no adjustments were required.

Utility

The subject property has good utility. The parcel is adequately shaped to accommodate a large residential subdivision, and it has excellent frontage on Lake Tillery. The subject is currently land-locked and visibility is severely limited; however, we have deducted the hypothetical cost to acquire access from an abutting property owner subsequent to the adjustment process. As discussed previously, waterfront sites command significant premiums over water view or interior sites without water frontage or views; therefore, as the depth of a site increases its value per acre typically declines. For example, waterfront lots in a subdivision may sell for \$150,000, while the interior lots may sell for \$50,000. In this case, downward adjustments were applied to the comparable sales with shallower depths, such as sales 1 and 2, while upward adjustments were applied to sales 3, 4, 5 and 6. In addition to the adjustment for utility, sales 1 and 3 were adjusted upward, as they were land-locked and were acquired by the adjoining property owner.

Comparable Sale No. 1

This is the July 2004 sale of a 48.77-acre site on the east side of Lake Tillery, in Montgomery County. The site is comprised of two parcels that were acquired by Tillery 1 LLC and Tillery 2 LLC from Carolina Power and Light. The site was land-locked and was acquired by an adjacent property owner that will incorporate the site into a lakefront golf community (Tillery Tradition) that will have approximately 370-units upon completion. The property sold for \$21,735 per acre and \$118.94 per front foot. The comparable is situated on the east side of Lake Tillery, which is considered inferior to the subject's location. Furthermore, a downward adjustment was applied for the comparables superior frontage (average depth of 238'). Finally, an upward adjustment was applied for access, as the comparable was land-locked at the time of sale. After adjustments, this comparable indicated an adjusted value of \$30,733 per acre.

Comparable Sale No. 2

This is the December 2002 sale of a 50.32-acre site on the east side of Lake Tillery, in Montgomery County. Allen Realty acquired the site from Carolina Power and Light for \$660,000. The property sold for \$13,116 per acre, or \$60.38 per front foot. The comparable is situated on the east side of Lake Tillery, which is considered inferior to the subject's location. Furthermore, a downward adjustment was applied for the comparables superior frontage (average depth of 201'). After adjustments, this comparable indicated an adjusted value of \$15,025 per acre.

Comparable Sale No. 3

This is the March 2002 sale of a 69.91-acre site on the east side of Lake Tillery, in Montgomery County. The site is comprised of three parcels that were acquired by Tillery Tradition from Carolina Power and Light. The sale reportedly involved some additional land swaps between the grantee and grantor and was given limited weight in the analysis. The site was land-locked and was acquired by an adjacent property owner that will incorporate the site into a lakefront golf community (Tillery Tradition) that will have approximately 370-units upon completion. The property sold for \$13,947 per acre and \$121.88 per front foot. The comparable is situated on the east side of Lake Tillery, which is considered inferior to the subject's location. Furthermore, an upward adjustment was applied for access, as the comparable was land-locked at the time of sale. After adjustments, this comparable indicated an adjusted value of \$25,260 per acre.

Comparable Sale No. 4

This is the recent listing of an 85-acre site that is located on the east side of Lake Tillery. The current asking price is \$2,125,000, or \$25,000 per acre; however, the client has indicated that offers have ranged from approximately \$6,000 to \$18,000, with the majority in the range of \$6,000 to \$10,000. Furthermore, the offer for \$18,000 per acre has expired. The asking price per front foot equates to approximately \$708.33. The shape and depth of the site will limit the number of waterfront lots to approximately 25. The comparable is situated on the east side of Lake Tillery, which is considered inferior to the subject's location. Furthermore, an upward adjustment was applied for the comparables inferior frontage (average depth of 1,234'). After adjustments, this comparable indicated an adjusted value of \$28,875 per acre. As comparable 4 does not represent a closed sale, it was given secondary weight in the analysis.

In addition to the comparable sales located on Lake Tillery, sales of large lake front sites were identified in Caldwell County, North Carolina, and McDowell County, North Carolina. These areas are located in Central North Carolina, along Interstate 40, in close proximity to Hickory.

Comparable Sale No. 5

This is the July 2001 sale of a 164.406-acre site on the north side of Lake Rhodhiss in Caldwell County. The site has approximately 9,217 feet of frontage on Lake Rhodhiss. Oscar Vasquez acquired the site from Crescent Resources for \$975,000. The property sold for \$9,732 per acre and \$173.59 per front foot. No adjustments were applied for size or location. An upward adjustment was applied for the comparables inferior frontage (average depth of 777'). After adjustments, this comparable indicated an adjusted value of \$15,927 per acre.

Comparable Sale No. 6

This is the August 2001 sale of a 147-acre site on the north side of Lake Hickory in Caldwell County. AFT Enterprises acquired the site from KP Properties for \$3,500,000. The property sold for \$23,810 per acre, or \$356.31 per front foot. No adjustments were applied for size or location. An upward adjustment was applied for the comparables inferior frontage (average depth of 652'). After adjustments, this comparable indicated an adjusted value of \$38,800 per acre.

Comparable Sale No. 7

This is the August 2001 sale of a 71.61-acre site on Lake James, in McDowell County. The McDowell County Wildlife Club acquired site from Crescent Resources for \$1,400,000. The property sold for \$19,550 per acre, or \$130.23 per front foot. No adjustments were applied for size or location. After adjustments, this comparable indicated an adjusted value of \$22,757 per acre. The comparable was given limited weight in the analysis, as the purchase price was reportedly discounted for remediation previously performed at the site.

Conclusion of Site Value

After considering the differences between each comparable and the subject, the adjusted indicated sales price range is \$15,025 to \$38,800 per acre, with an average of \$25,340 and a median of \$25,260. Primary emphasis was given to the sales located on Lake Tillery, with most emphasis given to the recent sale of comparable 1.

Therefore, we conclude that the indicated value by the Sales Comparison Approach is:

CONCLUSION	\$/Acre	\$/Front Foot
Indicated Value	\$25,000	\$175.00
No. Acres	x 182	26,288
Indicated Value	\$4,552,000	\$4,600,400
Less Cost To Acquire Access to the Site	\$200,000	\$200,000
Indicated Value	\$4,352,000	\$4,400,400
Rounded to nearest \$100,000	\$4,400,000	\$4,400,000
Per unit or square foot	\$24,165	\$167.38

As discussed previously, we made a deduction for the estimated cost to acquire the land necessary to obtain access to the site or an easement from one of the abutting property owners with access to Shore Farm Road or Randall's Church Road. Based on the maximum distance from Shore Farm Road (2,700 +/-) and an 80' right-of-way, approximately 5-acres would be required. Raw residential and agricultural land, without water-access in the subject neighborhood typically sells for \$5,000 to \$15,000 per acre. Assuming two access points may be needed, a cost of \$15,000 per acre, as well as a premium of 25% to the seller, the cost to acquire access is estimated at \$200,000, rounded ($2 \times 5 \times \$15,000 \times 125\% = \$187,500$).

Therefore the "as is" market value of the fee simple interest in the subject property via the Sales Comparison Approach, as of September 12, is:

\$4,400,000

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS

In addition, at the request of the client, we have estimated the market value of the subject assuming that is accessible via a public right-of-way. The hypothetical value via the Sales Comparison approach, as of September 12, 2004, is:

FOUR MILLION SIX HUNDRED THOUSAND DOLLARS

\$4,600,000

The hypothetical value is based on the estimated cost (\$200,000) to acquire access from an adjoining property owner. The cost was deducted in the Sales Comparison approach prior to concluding to an opinion of value.

RECONCILIATION AND FINAL VALUE OPINION

Valuation Methodology Review and Reconciliation

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. The subject's age makes it difficult to accurately form an opinion of depreciation and tends to make the Cost Approach unreliable. Furthermore, because the subject property is a specialized land use, it is not typically marketed, purchased or sold on the basis of anticipated lease-income. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value.

The approaches indicated the following:

Cost Approach:	Not Utilized
Sales Comparison Approach:	\$4,400,000
Income Capitalization Approach:	Not Utilized

We have given most weight to the Income Capitalization Approach because this mirrors the methodology used by purchasers of this property type.

Based on our Complete Appraisal as defined by the *Uniform Standards of Professional Appraisal Practice*, we have developed an opinion that the "as-is" market value of the Fee Simple estate of the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, on September 12, 2004 was:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS

\$4,400,000

Based on our Complete Appraisal as defined by the *Uniform Standards of Professional Appraisal Practice*, and at the client's request we have also developed an opinion that the market value of the fee simple estate in the subject, as if it was accessible from a public right of way or adjoining parcel, as of September 12, 2004, is:

FOUR MILLION SIX HUNDRED THOUSAND DOLLARS

\$4,600,000

The hypothetical value is based on the estimated cost (\$200,000) to acquire access from an adjoining property owner. The cost was deducted in the Sales Comparison approach prior to concluding to an opinion of value.

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ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
2. The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
3. The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions.
4. The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent.

Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).

5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS

6. The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
7. The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural members or for the condition of mechanical equipment, plumbing or electrical components.
8. The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.
9. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
10. Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
11. Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed.
12. If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.

ASSUMPTIONS AND LIMITING CONDITIONS

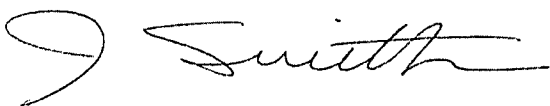
13. In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
14. If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
14. By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

In addition to estimating the market value of the fee simple interest the subject property; the client has requested that we estimate the market value of the fee simple interest in the subject property assuming that it is accessible from a public right of way, or through an adjacent parcel.

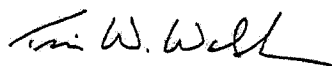
CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. Jeffrey Smith made a personal inspection of the property that is the subject of this report. Travis Walsh, MAI, Senior Director, Valuation Advisory Services, reviewed and approved the report but did not inspect the property.
9. No one provided significant real property appraisal assistance to the persons signing this report.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Appraisal Institute continuing education for Travis Walsh, MAI is current.

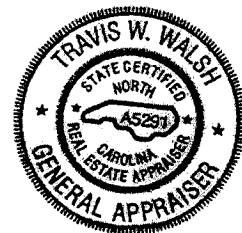


Jeffrey Smith
Director
North Carolina Certified General Appraiser
License No. A5559
Jeff_Smith@CushWake.com
704-405-3419 Office Direct
704-365-4688 Fax



Travis Walsh, MAI
Senior Director
North Carolina Certified General Appraiser
License No. A5291
Travis_Walsh@CushWake.com
919-510-6796 Office
252-412-9041 Fax

CERTIFICATION OF APPRAISAL



Addenda Contents

ADDENDUM A: Qualifications of the Appraisers

ADDENDUM A: Qualifications of the Appraisers

PROFESSIONAL QUALIFICATIONS

Jeffrey A. Smith

Director – Valuation Services, Capital Markets Group

Mr. Smith entered the real estate business in 1993 as an associate with Integrated Loan Services, Inc. He joined Joseph J. Blake & Associates, Inc. of Washington, D.C. in December 1996 as an associate appraiser. He joined Roy F. Weston Company as senior acquisitions analyst in April 2000. In May 2001, he rejoined Joseph J. Blake & Associates, Inc. in their Los Angeles, California office. In November 2002, he joined American Appraisal Associates' Irvine, California office as a senior consultant and was promoted to the title of Engagement Director in October 2003. In July 2004, he joined Cushman & Wakefield of Washington, D.C. where he currently holds the title of Director in Charlotte, North Carolina.

Experience

Director, Cushman & Wakefield of Washington, D.C., Inc.,
Valuation Services – Capital Markets Group, July 2004 to present.

Engagement Director, American Appraisal Associates, Inc.,
Irvine, California - November 2001 to July 2004

Senior Appraiser, Joseph J. Blake & Associates, Inc.
Los Angeles, California - April 2001 to October 2002

Senior Acquisitions Analyst, Roy F. Weston Company
Frederick, Maryland – April 2000 May 2001

Appraiser, Joseph J. Blake & Associates, Inc.
Los Angeles, California – December 1996 to April 2000

Associate Appraiser, Integrated Loan Services,
Fairfield, Connecticut and Boston, Massachusetts – May 1993 to November 1996

Experience includes appraisal of the following types of property:

Office Buildings
Subdivision Development Analysis
Commercial Land
Single Family Residences
Hotels/Motels
Manufacturing Facilities

Shopping Centers
Industrial Facilities
Multi-Family Properties
Leasehold/Leased Fee Interests
Special Purpose Facilities
Warehouse Facilities



Education

Bachelor of Science (Finance), 1993
Boston College, Chestnut Hill, Massachusetts

Appraisal Education

The following courses sponsored by the Appraisal Institute have been successfully completed:

Appraisal Institute Courses:

- 110 - Real Estate Appraisal Principles
- 120 - Real Estate Appraisal Practices
- 310 - Basic Income Capitalization
- 410 - Standards of Professional Appraisal Practice, Part A (USPAP)
- 420 - Standards of Professional Appraisal Practice, Part B (AI)
- 510 - Advanced Income Capitalization
- 520 - Highest & Best Use and Market Analysis
- 540 - Report Writing and Valuation Analysis
- 550 - Advanced Applications

Memberships, Licenses and Professional Affiliations

- Associate Member of the Appraisal Institute
- State of California Certified General Real Estate Appraiser (#034019)
- State of North Carolina Certified General Real Estate Appraiser (#A5559)
- State of South Carolina Certified General Real Estate Appraiser (#5236)

PROFESSIONAL QUALIFICATIONS

Travis W. Walsh, MAI, CRE

Director, Valuation Services, Capital Markets Group

Real Estate Appraisal Experience

Actively involved in the analysis and appraisal of real estate since 1972. Entered the real estate business in 1972 with The Equitable Life Assurance Society of the United States. Subsequently held positions with Security Mortgage Investors and with the Franklin Savings Bank of New York as a Staff Appraiser. In 1977 joined the Appraisal Division of Cushman & Wakefield, Inc. as a Staff Appraiser. Commenced employment as an Appraiser and Consultant with Henry Boeckmann, Jr. and Associates, Inc. in 1979; subsequently became Vice President and was appointed Manager of the Stamford, Connecticut office. Joined Cushman & Wakefield, Inc., New York Appraisal Services 1983. Named Director in 1990 and Senior Director in 1999.

Assignments have involved a wide variety of existing and proposed real properties including: office complexes, shopping centers, industrial properties, hotels and multifamily housing. Assignments have been completed for mortgage purposes, estates, certiorari proceedings and arbitration hearings, to aid in the decision making process in the acquisition, disposition and marketing of real estate and to determine a property's most profitable use.

Education

Past Lecturer - New York University - Real Estate Institute

Appraisal Institute Courses:

- Investment Analysis (Course VI)
- Urban Properties (Course II)
- Capitalization Theory & Techniques (Course IB)
- Basic Appraisal Principles, Methods & Techniques (Course 1A)

Manhattan College, Bronx, New York, Bachelor of Science, (Business Administration), 1972

Memberships, Licenses and Professional Affiliations

- Appraisal Institute (MAI Certificate No. 6260)
New York Metropolitan Chapter
- American Society of Real Estate Counselors (CRE Certificate No. 1391) New York Chapter
- New York State Certified as a Real Estate General Appraiser
(Certificate No. 46000005074)
- New York State Licensed Real Estate Broker
The Real Estate Board of New York, Inc.

